

**Proposed Substitute
Bill No. 399**

LCO No. 3675

**AN ACT CONCERNING RESEARCH AND DEVELOPMENT TAX
CREDITS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-217zz of the 2016 supplement to the general
2 statutes is repealed and the following is substituted in lieu thereof
3 *(Effective January 1, 2017, and applicable to income years commencing on or*
4 *after January 1, 2017):*

5 (a) Notwithstanding any other provision of law, and except as
6 otherwise provided in subsection (b) of this section, the amount of tax
7 credit or credits otherwise allowable against the tax imposed under
8 this chapter shall be as follows:

9 (1) For any income year commencing on or after January 1, 2002,
10 and prior to January 1, 2015, the amount of tax credit or credits
11 otherwise allowable shall not exceed seventy per cent of the amount of
12 tax due from such taxpayer under this chapter with respect to any such
13 income year of the taxpayer prior to the application of such credit or
14 credits;

15 (2) For any income year commencing on or after January 1, 2015, the
16 amount of tax credit or credits otherwise allowable shall not exceed
17 fifty and one one-hundredths per cent of the amount of tax due from

18 such taxpayer under this chapter with respect to any such income year
19 of the taxpayer prior to the application of such credit or credits;

20 (3) Notwithstanding the provisions of subdivision (2) of this
21 subsection, any taxpayer that possesses excess credits may utilize the
22 excess credits as follows:

23 (A) For income years commencing on or after January 1, 2016, and
24 prior to January 1, 2017, the aggregate amount of tax credits and excess
25 credits allowable shall not exceed fifty-five per cent of the amount of
26 tax due from such taxpayer under this chapter with respect to any such
27 income year of the taxpayer prior to the application of such credit or
28 credits;

29 (B) For income years commencing on or after January 1, 2017, and
30 prior to January 1, 2018, the aggregate amount of tax credits and excess
31 credits allowable shall not exceed sixty per cent of the amount of tax
32 due from such taxpayer under this chapter with respect to any such
33 income year of the taxpayer prior to the application of such credit or
34 credits;

35 (C) For income years commencing on or after January 1, 2018, and
36 prior to January 1, 2019, the aggregate amount of tax credits and excess
37 credits allowable shall not exceed sixty-five per cent of the amount of
38 tax due from such taxpayer under this chapter with respect to any such
39 income year of the taxpayer prior to the application of such credit or
40 credits;

41 (D) For income years commencing on or after January 1, 2019, the
42 aggregate amount of tax credits and excess credits allowable shall not
43 exceed seventy per cent of the amount of tax due from such taxpayer
44 under this chapter with respect to any such income year of the
45 taxpayer prior to the application of such credit or credits;

46 (4) Notwithstanding the provisions of subdivisions (2) and (3) of
47 this subsection, for income years commencing on or after January 1,
48 2017, and prior to January 1, 2018, the amount of tax credit or credits

49 otherwise allowable against the tax imposed under this chapter for
50 such income year may exceed the amount specified in said
51 subdivisions to the extent the amount of credits otherwise allowable
52 under sections 12-217j and 12-217n exceed the amount specified in said
53 subdivisions, provided in no event may the amount of tax credit or
54 credits otherwise allowable against the tax imposed under this chapter
55 for such income year exceed sixty-five per cent of the amount of tax
56 due from such taxpayer under this chapter with respect to such income
57 year of the taxpayer prior to the application of such credit or credits;

58 (5) Notwithstanding the provisions of subdivisions (2) and (3) of
59 this subsection, for income years commencing on January 1, 2018, and
60 prior to January 1, 2019, the amount of tax credit or credits otherwise
61 allowable against the tax imposed under this chapter for such income
62 year may exceed the amount specified in said subdivisions to the
63 extent the amount of credits otherwise allowable under sections 12-
64 217j and 12-217n exceed the amount specified in said subdivisions,
65 provided in no event may the amount of tax credit or credits otherwise
66 allowable against the tax imposed under this chapter for such income
67 year exceed seventy per cent of the amount of tax due from such
68 taxpayer under this chapter with respect to such income year of the
69 taxpayer prior to the application of such credit or credits;

70 ~~[(4)]~~ (6) For purposes of this subsection, "excess credits" means any
71 remaining credits available under section 12-217j, 12-217n or 32-9t after
72 tax credits are utilized in accordance with subdivision (2) of this
73 subsection.

74 (b) (1) For an income year commencing on or after January 1, 2011,
75 and prior to January 1, 2013, the amount of tax credit or credits
76 otherwise allowable against the tax imposed under this chapter for
77 such income year may exceed the amount specified in subsection (a) of
78 this section only by the amount computed under subparagraph (A) of
79 subdivision (2) of this subsection, provided in no event may the
80 amount of tax credit or credits otherwise allowable against the tax
81 imposed under this chapter for such income year exceed one hundred

82 per cent of the amount of tax due from such taxpayer under this
83 chapter with respect to such income year of the taxpayer prior to the
84 application of such credit or credits.

85 (2) (A) The taxpayer's average monthly net employee gain for an
86 income year shall be multiplied by six thousand dollars.

87 (B) The taxpayer's average monthly net employee gain for an
88 income year shall be computed as follows: For each month in the
89 taxpayer's income year, the taxpayer shall subtract from the number of
90 its employees in this state on the last day of such month the number of
91 its employees in this state on the first day of its income year. The
92 taxpayer shall total the differences for the twelve months in such
93 income year, and such total, when divided by twelve, shall be the
94 taxpayer's average monthly net employee gain for the income year. For
95 purposes of this computation, only employees who are required to
96 work at least thirty-five hours per week and only employees who were
97 not employed in this state by a related person, as defined in section 12-
98 217ii, within the twelve months prior to the first day of the income
99 year may be taken into account in computing the number of
100 employees.

101 (C) If the taxpayer's average monthly net employee gain is zero or
102 less than zero, the taxpayer may not exceed the seventy per cent limit
103 imposed under subsection (a) of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>January 1, 2017, and applicable to income years commencing on or after January 1, 2017</i>	12-217zz